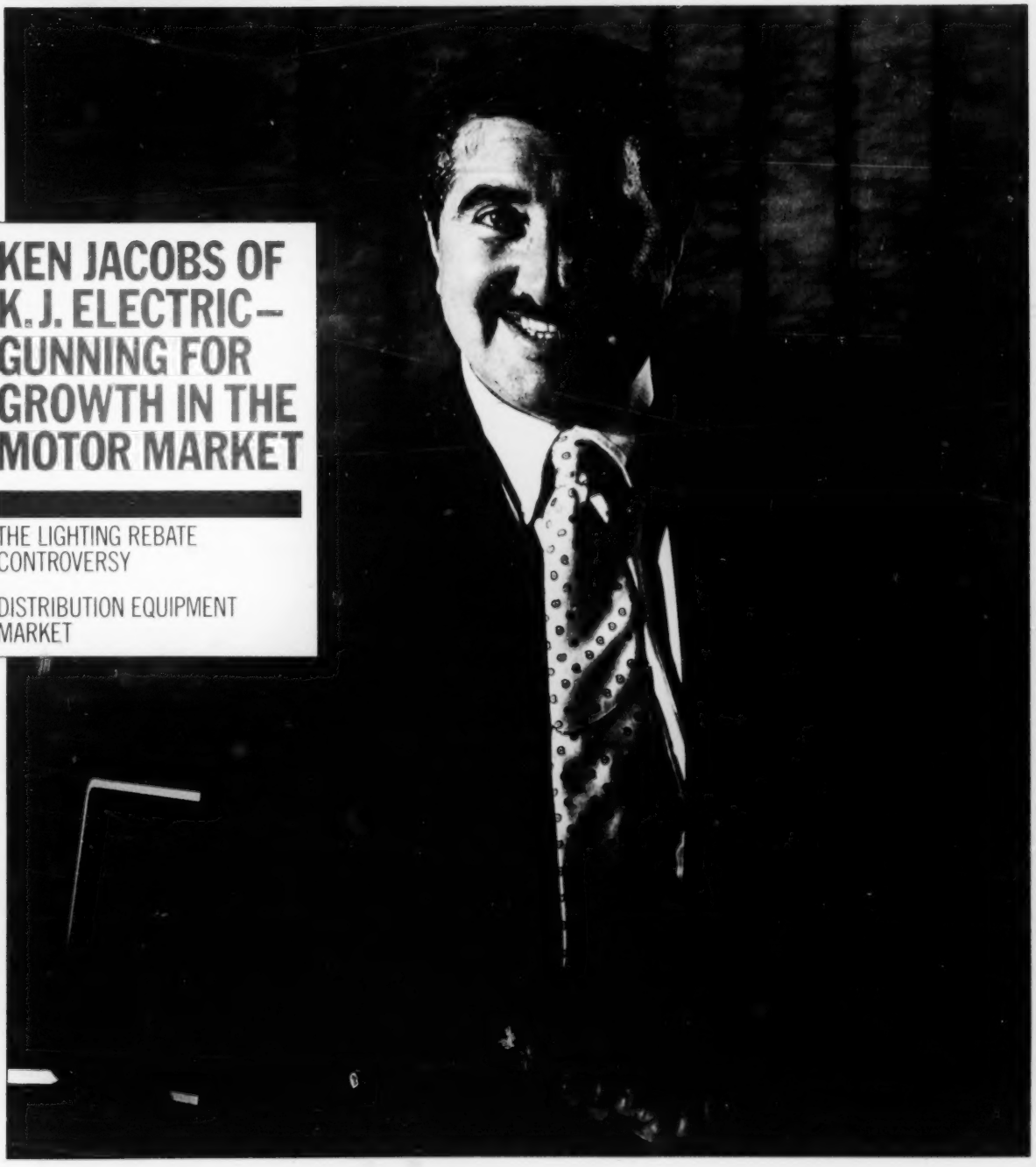
C4725-5

AN INTERTEC PUBLICATION • $5.00 • AUGUST 1990

ELECTRICAL WHOLESALING



KEN JACOBS OF K.J. ELECTRIC— GUNNING FOR GROWTH IN THE MOTOR MARKET

THE LIGHTING REBATE CONTROVERSY

DISTRIBUTION EQUIPMENT MARKET

VOLUME 71
NUMBER 8

ELECTRICAL WHOLESALING

AUGUST
1990

FEATURES

COVER STORY

27 **MOTOR DRIVE**

Ken Jacobs took a struggling motor repair shop and molded it into a $10 million-plus company with a new direction.

INDUSTRY TREND

33 **MUCH ADO ABOUT LIGHTING REBATES**

In energy-tight regions, utility rebates have become problematic—especially for the small distributor.

COMPANY PROFILE

38 **GOING RETAIL**

This distributorship's answer to a dying construction market is to breathe new life into its retail trade.

MARKET REPORT

41 **DISTRIBUTION EQUIPMENT**

In the distribution equipment market, manufacturers expect distributors to act as a true extension of their sales force.

■ PAGE 38

IN BUSINESS

SALES

■ OUTSIDE SALES

44 **SECURITY LIGHT**

Security lighting retrofits offer sales opportunities in a slow new construction year.

■ SALES TECHNIQUES

46 **'ASSISTANT BUYERS'**

In competitive times, customers need advice on all their buying decisions, not hard selling and short-range tactics.

■ TECHNICAL TRAINING

48 **RACEWAYS AND FITTINGS**

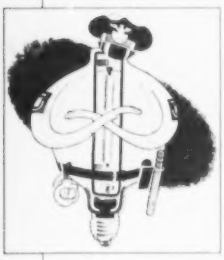
Our ABCs of electrical equipment covers rigid conduits and related fittings.

MANAGEMENT

■ SPECIAL EVENTS

54 **SALES MEETINGS**

When properly planned and executed, sales meetings can meet a number of important objectives.



■ PAGE 44

DEPARTMENTS

8 **TIMES AND TRENDS**
10 **PERSONAL VIEW**
16 **NEWS WATCH**
22 **PRODUCTS**
24 **BULLETIN BOARD**
49 **READER SERVICE**
64 **PEOPLE**
65 **ADVERTISERS' INDEX**
66 **SPEAKING OUT**

Cover photo by Bob Mahoney

Editorial Director:
Thomas F. Preston

Chief Editor:
Andrea J. Herbert

Executive Editor:
Jim Lucy

Managing Editor:
Eileen Davis

Art Director:
Jacqueline A. Sirvio

Associate Editor:
Dean Holstein

Assistant Editor:
Lance Ulanoff

Contributing Editors:
Dale E. Funk
Timothy Kasen

Contributing Authors:
Robert Footlik
Ron Friedman
Pat Gill
Gordon Graham
John J. McCarthy
James B. Newton
Bill Novak
Dr. Don A. Rice
William H. Younger

Special Assignment Writers:
Carolyn Brown
Michael Fitzpatrick
Brian Salisbury

ELECTRICAL WHOLESALING

THE PUBLISHER'S NOTE

EW's Dean Holstein

Helping you deal with changing market and economic conditions is an important part of the service we provide. This month's issue spotlights readers who show what an electrical distributor can do to turn adversity to advantage.

Milton S. Colby and Jim Rodale, managers of Surrey Electric Supply Corp. in Union, N.J., faced a tough market situation early this year—construction activity was down, contractor business off. Their response was to pump resources into remodeling and expanding a small retail home center the company started five years ago to capture consumer business.

Colby and Rodale are applying retail merchandising techniques, keeping the doors open on evenings and weekends and even taking credit cards from consumers. Their story, reported by EW associate editor Dean Holstein, begins on page 38.

Rich Hathaway

RICH HATHAWAY, Publisher

Group Vice President:
Eric Jacobson

Group Publisher:
Richard A. Hathaway

Advertising Sales Manager:
E.F. (Ned) Camuti

Publishing Consultant:
John G. Behmke

Director of Marketing:
Joseph Turco

Corporate Circulation Director:
Chuck Rash

President:
R.J. Hancock

AN INTERTEC MARKET-DIRECTED PUBLICATION

ELECTRICAL WHOLESALING (ISSN 0013-4430) (with Wholesaler's Salesman) published monthly by Intertec Publishing Corp.

SUBSCRIPTIONS: Available only by paid subscription. Publisher reserves the right to refuse nonqualified subscriptions. Subscriptions to ELECTRICAL WHOLESALING solicited only from persons engaged in wholesale distribution of electrical equipment, supplies and appliances. Position and company connection must be indicated on subscription orders forwarded to the address below. Subscription rates for individuals in the field of the publication: U.S., U.S.P. & Caribbean: $12.00 per year (single copies, $5.00); all others, $30.00 per year (single copies, $10.00); Canada CDS: $14.00 per year (single copies, $6.00); overseas rates available on request.

EXECUTIVE, EDITORIAL, CIRCULATION AND ADVERTISING OFFICES: 888 Seventh Avenue, New York, N.Y. 10106. Telephone: (212) 332-0600.

PUBLICATION OFFICE: 888 Seventh Ave., New York, N.Y. 10106. Second class postage paid at New York, N.Y. and additional mailing offices. Title reg. ® in U.S. Patent Office. © Copyright 1990 by Intertec Publishing Corp. All rights reserved.

PERMISSIONS: Where necessary, permission is granted by the copyright owner for libraries and others registered with the Copyright Clearance Center (CCC), 21 Congress Street, Salem, MA 02114, to photocopy any article herein, except individually copyrighted articles, for the flat fee of $2.25 per copy of the article. Payment should be sent directly to the CCC. Copying done for other than personal or internal reference use without the express permission of Intertec Publishing Corp. is prohibited. Requests for special permission or bulk orders should be addressed to the publisher. ISSN 0013-4430/90 $2.25.

UNCONDITIONAL GUARANTEE: The publisher, upon written request, agrees to refund the part of the subscription price applying to the remaining unfilled portion of the subscription if service is unsatisfactory.

SUBSCRIBERS: Send change of address notice, correspondence regarding subscription service or subscription orders to ELECTRICAL WHOLESALING, Subscription Manager, P.O. Box 12960, Overland Park, KS 66212. Change of address notices should be sent promptly; provide old as well as new address; include zip code or postal number if any. If possible, attach address label from recent issue. Please allow one month for change of address to become effective.

Notice: Allow 4 to 12 weeks for shipment of first issue on subscription, reprints, books, or changes of address.

Postmaster: Please send address changes to: ELECTRICAL WHOLESALING, Subscription Manager, P.O. Box 12960, Overland Park, KS 66212.

PLEASE NOTE: National Electrical Code, NE Code and NEC refer to the National Electrical Code, which is a registered trademark of the National Fire Protection Association.

INTERTEC PUBLISHING

ABP Association of Business Publishers

Audit Bureau of Circulations

Editorial:
(212) 332-0600

Advertising:
(212) 332-0637

Subscription Service:
(913) 541-6630

Classified:
(212) 332-0615

Back Issues:
(212) 332-0625

Editorial Reprints:
(212) 332-0639

DISTRIBUTION EQUIPMENT

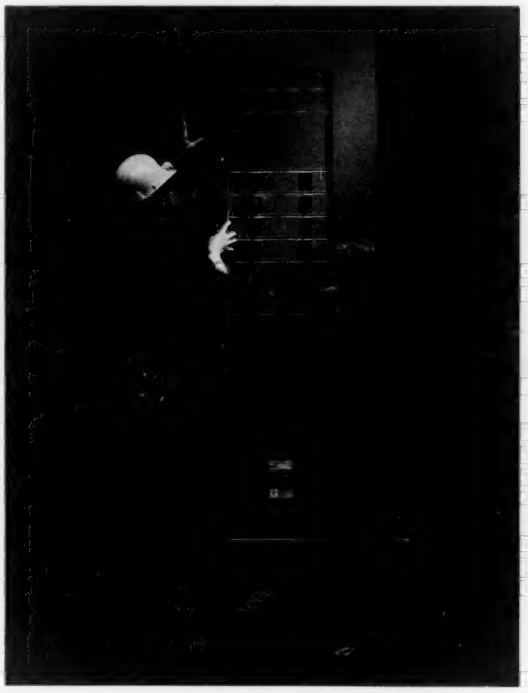
IN THE DISTRIBUTION EQUIPMENT MARKET, MANUFACTURERS EXPECT DISTRIBUTORS TO ACT AS A TRUE EXTENSION OF THEIR SALES FORCES.

■ For most electrical distributors, carrying a complete line of distribution equipment isn't an option—it's a must. Whether a distributor concentrates on the construction market or on industrial business, distribution equipment will be high on most customers' shopping lists.

Distribution equipment, which includes load centers, metering equipment, panelboards, switchgear, safety switches, circuit protection equipment, dry-type transformers, busway and motor control centers, is the nuts and bolts of every electrical system. These products also power a significant portion of the average electrical distributor's sales. According to ELECTRICAL WHOLESALING's 1989 Market Planning Guide, distribution equipment accounts for roughly 18% of electrical wholesalers' business. As a product group, only lighting equipment, at 22.5%, generates more of distributors' sales.

The distribution equipment business is an established market, with players that have been in the electrical industry for years. Niche suppliers do not seem to have the same impact in this market as they do in others, such as lamps or wire and cable.

Depending on one's definition of the market's boundaries, the major players that offer a distribution equipment package include: Challenger Electrical Equipment Corp., Malvern, Pa.; Crouse Hinds Distribution Equipment Products, Charlottesville, Va.; Cutler-Hammer Products, Milwaukee, Wis.; GE Co., Plainville, Conn.; Siemens Energy & Automation, Inc., Alpharetta, Ga.; Square D Co., Palatine, Ill.; and Westinghouse Electric Corp., Pittsburgh, Pa. Other companies manufacture circuit breakers and fuses, which as overcurrent protection equipment are considered part of this market, but they don't offer a full line of distribution equipment, a notable characteristic of the market's heavy hitters.



Distribution equipment accounts for almost 20% of electrical wholesalers' business.

Distribution equipment manufacturers have seen their share of mergers and acquisitions, but the wave of consolidation washing over other industries, such as wire and cable and lighting fixtures, hasn't hit this market quite as hard. Eaton Corp.'s 1978 purchase of Cutler-Hammer Products, Cooper Industries' purchase of Crouse-Hinds in 1981, Siemens' acquisition of the I-T-E product line in 1983 and Westinghouse's acquisition of Challenger Electrical Equipment Corp. in 1987 are some of the market's major milestones. Westinghouse and Challenger have an unusual relationship in the distribution equipment industry. While the companies' product offerings overlap in some areas, particularly in the commercial and industrial markets, each continues to market products under its own name.

Dominant among the trends molding the distribution equipment market:

Manufacturers and distributors are choosing up sides. Distribution equipment manufacturers want to pare down the size of their distributor networks, while distributors are looking to decrease the number of vendors they represent. It's a familiar scenario in the electrical industry, and many manufacturers offer well-publicized incentive programs that encourage distributors to single-source and carry only that supplier's line in

By Jim Lucy, Executive Editor

a particular product group.

Because of the broad scope of distribution equipment—it accounts for almost one-fifth of the average distributor's total business—wholesalers who choose up sides in this market may find that the impact on their companies is dramatic. Suppliers want distributors to carry not only load centers and metering equipment, but safety switches, circuit breakers and panelboards as well. But the cost of stocking large distribution equipment such as panelboards and switchgear, which are not on-the-shelf products, magnifies the inventory investment.

Teaming up with one distribution equipment manufacturer makes sense for electrical distributors because it gives them more clout with the supplier and eliminates the duplicate inventory and additional product training that multiple lines require, says Bill Elliott, president of Elliott Electric Supply Co., Nacogdoches, Tex. "The more you stock, the more familiar you should become with one line. Panelboards for industrial applications turn relatively slowly, and they are a big inventory commitment. Distributors can't afford to stock two lines of them," he says.

Product developments are upping distributors' inventory investment—and sales opportunities. The trend among manufacturers to develop commercial and industrial panelboards that distributors can carry in stock also increases their inventory investment. In the past, equipment for these markets often was custom-designed for a job, so distributors rarely stocked it. "Anything outside of load centers was built by manufacturers at regional assembly plants," explains Elliott. "Distributors would place an order with the manufacturer and the manufacturer would custom assemble everything and ship it to the job site. More manufacturers are into stockable panelboards. We stock through 1,200A."

While the basic products distributors stock for the residential market haven't changed all that much over the years, Square D has just introduced a one-of-a kind residential load center. Called the "Trilliant Home Power System," the box is made of a new-generation polymer, as opposed to the standard metal used in most older models. Other features include interchangeable components and a design that reduces installation time. "It's the most significant new product for the residential market that Square D has released in 35 years," says Ron Rogers, manager of commercial marketing operations for Square D's Distribution Equipment Business in Lexington, Ky.

Distributors are being urged to get involved with bigger distribution equipment. As distributors' market interests evolve, so too does the type of distribution equipment they carry. Because distribution equipment is an integral part of all residential, commercial and industrial electrical systems, distributors who change their market focus also must change the type of distribution equipment they sell. Historically, many distributors have started their businesses by servicing the residential market, which requires load centers, metering equipment and some panelboards.

THE EQUIPMENT

A market basket

Full-line electrical distributors handle most types of distribution equipment, according to the 1988-89 *Directory of Electrical Wholesale Distributors*. What follows are the percentages of distributors who carry certain types of products:

Product	Percent of distributors that carry it
Fuses	86%
Circuit breakers	85%
Safety switches	82%
Switchboards and panelboards	74%
Power transformers	66%
Switchgear	64%
Residential load centers	56%
Busway	47%

After establishing a base in the residential market, many construction-oriented distributors shift their focus to larger commercial projects. These jobs require different types of distribution equipment, such as larger panelboards, switchgear, bus ducts and bus plugs.

While many distributors maintain this construction orientation, others diversify into the industrial end of the business, often to balance out the cyclical swings in the residential and commercial construction markets. In addition to many of the products distributors stock for large commercial projects, the industrial market requires larger panelboards, motor control centers and switchgear that carry up to 15kV. In comparison, the bulk of commercial applications operate at 600V or less.

Marketing the larger panelboards and switchgear requires a different type of sell. Fewer jobs go out to open bid in the industrial market, and distributors must learn to identify the buying influences, which may vary by customer and by application. On the familiar turf of the construction market, the buying influences are fewer and easier for distributors to decipher. At industrials, however, distributors must get to know not only the plant maintenance and purchasing personnel, but the engineering department as well.

For distributors to succeed in the industrial market, they must be able to offer customers a complete product line. They have to create demand for products by spotting potential applications on the plant floor and showing how a product's or system's technical specifications match the application. And in today's just-in-time delivery environment, distributors must be able to offer industrial customers quick access to products.

Once a distributor has gained a customer's confidence in industrial distribution equipment, he may be able to sell the customer control and automation products as well. The buying influences and sales approach can be the same for both markets, says Bob Pignataro, vice president of distributor marketing for Siemens Energy & Automation. Both types of products require "solution selling," whereby distributors prescribe a product or system solution to remedy a customer's application problem. Some distributors that have been able to balance both the industrial and automation markets include McNaughton-McKay Electric Co., Madison Heights, Mich.; Industrial Electric Supply Co., Birmingham, Ala.; and Elliott Electric Supply Co.

The distribution products are only a stepping stone into the automation market, of course. Once there, distributors will find that the high-tech field differs dramatically from the distribution equipment market. "You don't get as much pull-through as you might expect. A distributor has to run a high-tech business almost as a stand-alone operation, a separate division," says Elliott. "It's different enough that most people who have been successful in it use an entirely different sales force and run it as a separate profit center."

Distributors must have superior product knowledge and sales skills. Selling distribution equipment—particularly to industrials—differs today from ten years ago because manufacturers now expect distributors to understand the products they sell thoroughly. In fact, distributors must

know the product as well as the manufacturer does and have the sales and marketing skills necessary to find and service applications. It's the most effective way for one distributor to differentiate itself from the competition, says Pignataro of Siemens Energy & Automation.

"Manufacturers basically treat these distributors as an extension of their sales organization," he says. "It's no longer a distributor getting a lead and then filtering it back to the manufacturer. If the distributor follows through and becomes the expert to the industrial user, then that will differentiate him in the marketplace."

To sell at this level and become a true partner to the supplier, the distributor's sales force must be highly trained. "In the old days, distributors could represent eight different lines because they were not called on to know anything about the product. Training wasn't a factor," says Wayne Murphy, manager of distribution for Westinghouse Electric's Distribution and Control business unit located in Pittsburgh.

Today, training is a major emphasis for all distribution equipment manufacturers. Five years ago, for example, 500 distributor personnel attended Westinghouse's training school on distribution equipment and controls; this year Murphy says the company will train over 2,200 people.

To teach distributors about product capabilities, distribution equipment manufacturers also offer seminars, videotapes, training manuals and computerized application programs, such as Cutler-Hammer's Computerized Help in Product Selection (CHIPS) program. This software walks users step-by-step through the selection process by asking for the parameters of an application and then suggesting the proper product for that situation.

Distributors offer more value-added modification and repair services. The shifting of responsibilities in the distribution equipment market carries through after the sale. Distributors now do some of the service and replacement work of existing equipment that the manufacturers used to do themselves. Several manufacturers, including Westinghouse and GE, offer retrofit kits that distributors can use to update motor control centers, panelboards and circuit breakers. These kits add new communication capabilities or more advanced control to installed products.

The retrofit work "adds more value to the equation for distributors because they perform services that manufacturers previously performed," says Tom Gilbertson, manager of distribution management for GE's Electrical Distribution and Control Sales division in Plainville, Conn. GE is in the midst of a $500 million redesign of its distribution equipment product offering that will make the line more modular. One goal of the redesign is to make installation faster and simpler; another is to make retrofits easier.

Many distributors start out in the distribution equipment market by focusing on new residential construction.

Westinghouse also encourages the use of retrofit kits, and the company's distributors can learn to retrofit its line of load centers, circuit breakers, safety switches and motor controls at its Pittsburgh training facilities. Murphy says the retrofit work is part of a renewed emphasis on the MRO market. Distributors can give customers the option of buying a new motor control center or retrofitting an existing one to bring it up to date, he says. "In the past, manufacturers and distributors saw the MRO business as mundane—selling an extra circuit breaker for a panel, a spare load center or a new relay to replace an old one. It wasn't an aggressive selling thing."

"Smart" distribution equipment is coming on the market. Products are learning to talk to each other. Years ago, communications between electrical products only took place in process equipment on the factory floor. Today, some types of distribution equipment, such as load centers and circuit breakers, can communicate.

This communications ability can save time in troubleshooting when a production line is down, for example, because a plant engineer can monitor circuit breakers and panelboards from a central location instead of going to each panel on the plant floor. The "smart" distribution equipment's onboard diagnostic capability allows circuit breakers or other equipment in panelboards to send a message to a central location to alert plant personnel when a problem exists.

The market for "smart" distribution equipment appears to be growing; one manufacturer says it is doubling each year. Most sources remain skeptical about when this technology will surface in the residential market, however. A lot of questions remain about which wiring systems will be used in smart homes—those in which electrical and electronic household appliances interact via the home-wiring system (see EW—"Smart Homes," October 1988, p. 40).

All the trends boil down to one fact that may shape the distribution equipment market more than any other in the future: Manufacturers' dependence on distributors as an extension of their sales organizations is growing. Translation: For distributors to succeed in this market, it will no longer be enough for them merely to wait for orders to roll in. Sums up one manufacturer, "Ten years ago, people thought it was the manufacturer's responsibility to create demand, and the distributor's job to service it. That's no longer the case." □